

Message Text

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43

ACTION EUR-12

INFO OCT-01 EA-10 ISO-00 AID-05 CEA-01 CIAE-00 COME-00

EB-07 FRB-01 INR-07 NSAE-00 CIEP-02 SP-02 STR-04

TRSE-00 LAB-04 SIL-01 SAM-01 OMB-01 SS-15 NSC-05 L-02

H-02 PA-02 PRS-01 USIA-15 XMB-04 /105 W

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R 291423Z APR 75

FM AMEMBASSY BERN

TO SECSTATE WASHDC 620

INFO AMEMBASSY LONDON

AMEMBASSY PARIS

AMEMBASSY BONN

AMEMBASSY TOKYO

AMEMBASSY ROME

USMISSION OECD PARIS

USMISSION EC BRUSSELS

AMCONSUL HONG KONG

UNCLAS BERN 1782

E.O. 11652: N/A

TAGS: EFIN SZ

SUBJECT: EUROBOND MARKET

REF: LONDON 2395

1. E/C COUNSELOR HAD OPPORTUNITY APRIL 28 DISCUSS CURRENT EUROBOND MARKET SITUATION AND PROSPECTS WITH GENEVA-BASED, SWISS CITIZEN, HEAD OF MAJOR INTERNATIONAL INVESTMENT NETWORK WHICH INCLUDES ONE OF LARGEST LONDON BANKS INVOLVED IN EUROBOND UNDERWRITING/TRADING. SOURCE SAID MARKET VOLUME OF FIRST QUARTER (1.5 BILLION DOLLAR EQUIVALENT) CAN NOT CONTINUE THROUGHOUT 1975, BUT EXPRESSED OPTIMISM RE SHORT-TERM PROSPECTS. HE EXPECTS YIELD CURVE TO REMAIN FAVORABLE FOR EUROBONDS AND THUS FOR ACTIVITY TO REMAIN BRISK BUT WITH SOME UNCLASSIFIED

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SLOWING SINCE GOOD PART OF FIRST QUARTER ISSUES WERE

DELAYED FROM LAST YEAR. HE DID NOT OFFER ESTIMATE FOR 1975 VOLUME, BUT WE EXPECT THAT HE WOULD REGARD 4 BILLION DOLLAR EQUIVALENT AS REASONABLE. SOURCE IS, HOWEVER, CONCERNED RE 1976/1977 WITH LIKELY RESURGENT INFLATION AND HIGHER INTEREST RATES.

2. SOURCE NOTED THAT OF TOP TWENTY BANKS FOR INTERNATIONALLY SYNDICATED ISSUES IN FIRST QUARTER, ONLY TWO WERE LONDON-BASED. HE THOUGHT THAT THIS WAS SIGN OF INCREASINGLY WORLDWIDE CHARACTER OF MARKET. PURCHASERS OF BONDS ARE EQUALLY WIDESPREAD WITH PATTERN OF CUSTOMERS AT ANY GIVEN TIME DETERMINED IN LARGE PART BY INTEREST RATE DIFFERENTIALS, CURRENCY PREFERENCES, ETC. SOURCE THINKS THAT SECONDARY MARKET IS QUITE ADEQUATE.

3. GIVEN US TAX AND OTHER CONSTRAINTS ON FOREIGN ISSUES, SOURCE SAID EUROBOND MARKET OFFERS OPPORTUNITIES AND FLEXIBILITY TO INTERNATIONAL BORROWERS WHICH CAN NOT BE DUPLICATED IN NEW YORK OR OTHER DOMESTIC CAPITAL MARKETS.

4. SWISS NATIONAL BANK THROUGH MAJOR SWISS BANKS KEEPS VERY CLOSE CONTROL OVER NATURE AND AMOUNT OF FOREIGN BOND ISSUES AND PRIVATE PLACEMENTS PERMITTED IN SWITZERLAND IN SWISS FRANCS. SOURCE SAW NO PROSPECT OF ANY CHANGE IN FIRM SNB OPPOSITION TO PERMITTING EUROSCHWITZERLAND BOND MARKET TO DEVELOP. SNB POSITION IS BASED ON CONCERN AT LOSING CONTROL OF MONETARY POLICY AND FEAR THAT SF WOULD BECOME MORE WIDELY USED INTERNATIONAL CURRENCY THAT RELATIVELY SMALL ECONOMY CAN SUSTAIN.
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Message Attributes

Automatic Decaptioning: X
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Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: SALES, BONDS (SECURITIES)
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Copy: SINGLE
Draft Date: 29 APR 1975
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: n/a
Disposition Approved on Date:
Disposition Authority: n/a
Disposition Case Number: n/a
Disposition Comment:
Disposition Date: 01 JAN 1960
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
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Drafter: n/a
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05 JUL 2006

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